

An outsource model for Procurement and Supply Chain in Healthcare

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- - Created in 1948
- - £102bn operating budget in 2010
- - 1.2 million employees
- - 450 Hospitals
- A national institution



NHS Supply Chain



- **Created in 2006 – 10 + 5 contract**
- **2500 employees, 8 sites, 240 vehicles**
- **620,000 products**
- **110,000 deliveries per annum to 120,000 order points**
- **Largest home delivery provider to the NHS**
- **School fruit and veg scheme**



What are we?

- We are an outsourced function
- We have no mandate – we have to sell!
- We buy and sell – like a retailer
- We can make a profit – but it is capped
- We can make a loss – this isn't!!
- We take title to goods – we own our stock!
- We decide where to invest
- We employ the staff – transfer from public sector
- We are definitely centralised

Commercial business with customer focus

The NHSSC story

Background:

- NHS Logistics / PASA
- 'not for profit' legacy
- > £1bn savings over 10 years
- 2 year tender process started in 2004....born 1/10/06
- Procurement landscape – trusts, CPHs, CSUs, OGC, Buying Solutions, suppliers direct
- Politically sensitive

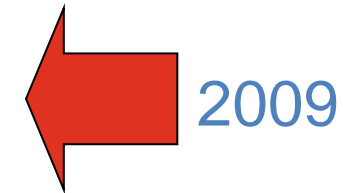
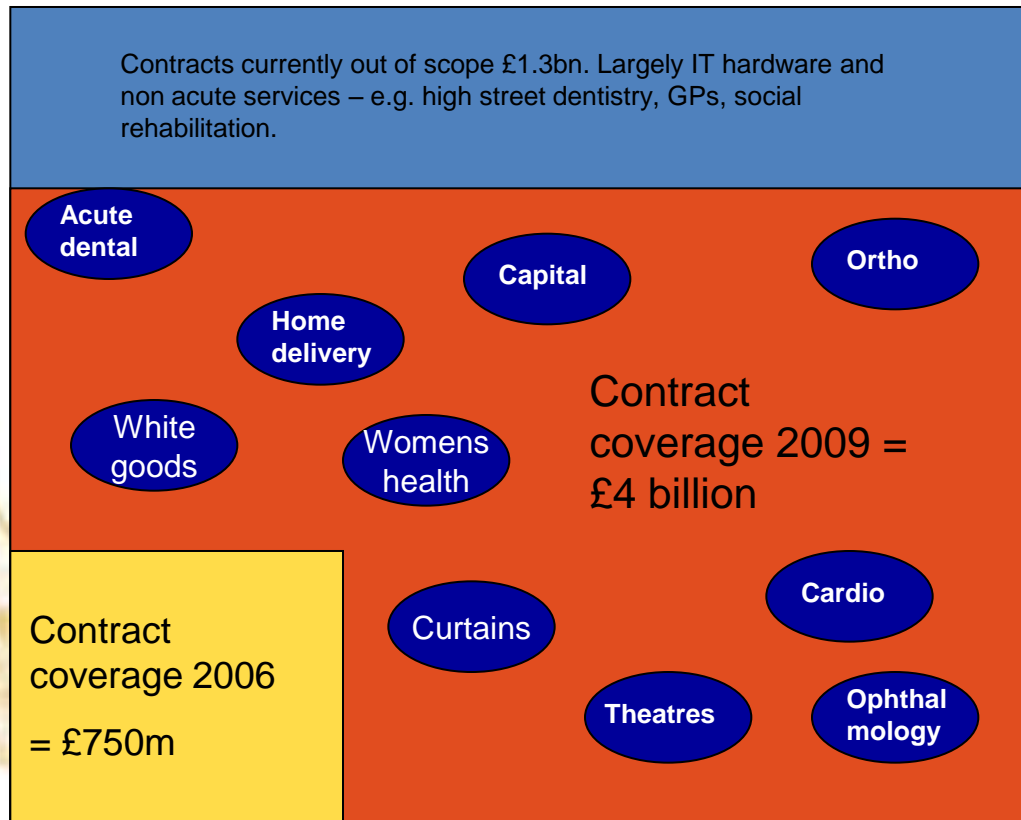
Procurement inheritance:

- Under performing on all measures – strategy, aspirations, people management, structure, processes, value delivery
- 95 staff c 2/3rds real buyers
- addressing ‘easy’ commodities
- let and forget approach
- admin heavy processes....lack of systems
- hierarchical and fragmented teams
- low aspirations
- inconsistent OJEU compliance
- frightened of suppliers – supplier value proposition

Value delivery from growth

Market coverage

Total market £5.3bn



Where are we now?

- sales £1.9bn in 2010
- savings to NHS over £200m to date...ahead of plan
- 1 new warehouse
- staff growth210 in procurement
- 110 contracts launched in 2009about 20 in 2007
- new sourcing support system....compliance
- innovation showcase and scorecard launched
- Firm but fair with suppliers - intolerance to price requests
- Buyers run their 'own business' – sales, savings, profit
- Channel efficiency – consolidated deliveries = low impact

Value Acceleration

- 54 auctions last year (85% of savings passed to NHS Trusts) 15% improvement on sealed bid
- Launch of Own label – brand =£££
- DFM programme - over 200 containers direct from China in 09. Over 600 products in range
- Capital business 0 to £300m in under 2 years.....430 to 20 OJEUs
- Moving from products to solutions.....Capital – leasing, maintenance & planning, NHS ‘ebay’



What can we learn from this....

- Focus on the customer is a private sector imperative
- Profit motive creates energy to reduce inefficiency and waste – the commercial imperative
- Investments have to be earned
- ‘Poor’ quality civil servants can become commercially successful
- Most of the value ends up with the Public sector
- Value is created not shuffled
- Innovation happens and fast - particularly when it helps growth
- Risk can be transferred to those best able to manage it – balance
- Our economies cannot wait for the public sector to get things sorted out
- Paying for change is sound investment strategy



choice
for health

Thank you for listening

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